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CERTAIN CHANGES IN NEW YORK'S POSITION AS A FINANCIAL CENTER

During the last year much attention has been given to the dominant position of New York City in our banking system. The extent of the control exercised by New York has been and is so great that several important changes that are taking place have escaped general notice.

That the position of New York City as a banking center has undergone a change in the last few years is shown by the facts: (1) that a smaller amount of cash is being withdrawn from there each fall for crop-moving purposes; (2) that a relatively smaller amount of cash is held by the New York banks than in former years; (3) that New York holds relatively less of the reserve funds of the entire country than in the past; (4) that the total banking resources of New York have been growing less rapidly than those of other parts of the country; and (5) that strong banking centers are rapidly being developed in other sections. The rest of the United States is apparently becoming more and more independent of New York for cash and for the financing of relatively small enterprises. With the financing of large ventures and with the general question of extension of credit this paper does not deal.

That the fall movement of cash out of New York is less than in former years is a fact which few people seem to have noticed. Probably very few indeed are aware that the net movement during the fall months is now in the other direction. Several years ago this movement was carefully analyzed, for the years 1899-1908 inclusive, by Professor E. W. Kemmerer in his report to the National Monetary Commission.¹ He averaged the movement for this period and found a definite flow of money out from New York each fall—a movement averaging \$3,434,000 in the thirty-eighth week of the year (the latter part of September) when it was at its maximum. The maximum movement into New York he found to be \$6,895,000 and to occur in the latter part of January.

¹ *Seasonal Variations in the Relative Demand for Money*, etc., pp. 124-29.

Since these statistics were prepared, an important change has occurred. Professor Kemmerer relied upon two sources of information: (1) special reports for 1905-8 from the New York clearing-house banks to the Monetary Commission, and (2) the weekly figures from these same banks for the net interior movement of cash into and out of the banks during the ten years 1899-1908. In this paper, of course, only the latter source of information is available, and all statistics of cash movements have been compiled from the weekly statements in the *Commercial and Financial Chronicle*. All

TABLE I

NET MOVEMENT OF CASH BETWEEN NEW YORK CLEARING-HOUSE BANKS AND THE INTERIOR (000 OMITTED)

(The sign + indicates movement to New York)

YEAR	MONTHS					TOTAL FOR FIVE MONTHS
	August	September	October	November	December	
1899.....	\$+ 3,984	\$-18,884	\$- 9,211	\$- 3,311	\$+ 3,806	\$- 23,616
1900.....	+ 8,478	-15,657	-22,495	+ 3,148	- 69	- 26,595
1901.....	- 755	-12,940	-13,597	+12,592	+ 1,409	- 13,291
1902.....	+ 3,173	- 9,077	- 6,973	+ 71	+ 2,413	- 10,393
1903.....	+15,733	- 5,491	-18,948	-13,584	+ 6,615	- 15,675
1904.....	+ 3,228	-12,994	- 7,676	+ 4,975	+14,925	+ 2,458
1905.....	+ 326	-19,906	- 4,585	- 4,993	+ 2,762	- 26,396
1906.....	- 4,470	-19,966	-24,605	+ 138	+ 5,131	- 43,772
1907.....	+ 115	- 6,582	-29,525	-84,953	-23,193	-144,138
1908.....	+23,149	- 2,675	+ 56	+ 1,114	+13,656	+ 35,300
1909.....	+ 9,430	- 4,687	- 3,200	+ 2,850	+23,663	+ 28,056
1910.....	+19,317	- 3,120	- 2,836	+ 8,674	+ 9,042	+ 31,077
1911.....	+27,676	+ 8,353	+ 5,958	+16,891	+45,012	+103,890
1912.....	+22,343	+ 6,357	+ 6,734	+ 8,707	+23,570	+ 67,711

statements of interior movements as reported in this publication include telegraphic transfers by the New York Subtreasury.

An examination of this interior movement as presented in Table I shows that a very pronounced change has taken place since 1907. Before that date the movement during the fall months, August-December inclusive, was out of the city. The figures given begin with 1899 (Professor Kemmerer's starting-point) and are continued through 1912—a total of fourteen years.¹ Prior to 1908 New York

¹ The *Chronicle* is published each week on Saturday, and it is impossible to follow closely the limits of each calendar month. Instead, the dates on which the paper appeared have been used as the basis. Thus if an issue of the *Chronicle* was dated

was the loser in every year except 1904, when her gain was slight; but even in that year there was a heavy net loss in September and October. The heaviest total loss appeared in 1907 because of the large withdrawals during the panic. With 1908 came a change. Since that time New York has gained rather than lost during the fall months. In 1908 only September shows a loss, and in 1909 and 1910 only September and October; while for 1911 and 1912 every month shows a gain for New York. In 1911 the total gain for the period was \$103,890,000, and in 1912 it was \$67,711,000. In 1911 there were net losses in only three weeks—those of September 9, October 7, and October 14. In 1912 there were likewise only three weeks of net loss—\$1,855,000 for September 14, \$423,000 for October 26, and \$837,000 for November 30.

It may be urged that the dulness of business since the panic of 1907 is the explanation. But whatever may be said of other years, 1912 was a year of bumper crops, expanding business, and general prosperity; and in September of that year the gain for New York was the largest for any September during the years under review with the exception of 1911. In October, 1912, the gain was the heaviest for any October of the period. Evidently some other change has occurred. It is not true that the out-of-town banks are no longer sending their money to New York. Table II gives, in column II, the net interior movement for the entire year and shows clearly that, in absolute amount, New York is gaining more than ever. Prior to 1908, every year except 1906 and 1907 shows a gain; but beginning with 1908 and continuing through 1912 this gain has been much larger than before, reaching a maximum of \$325,158,000 in 1912. Prior to 1907, New York's greatest gain was \$134,940,000 in 1904, but since that date the gain has never been less than \$213,591,000. It is clear that the out-of-town banks are sending their money to New York in larger absolute quantities than ever before.

January 1, the movement recorded for the week has been credited to January instead of to December. This is arbitrary but in no way affects the general conclusions presented. It has been adopted because of the difficulty of assigning the proper amount to each month when a week is divided between two months. Net monthly results have been secured by first combining the net weekly movements as given and then combining these monthly figures to secure the totals for each year.

The reason for this movement of cash into New York is generally understood to be the offer of interest by the New York banks for out-of-town deposits. The legal requirements as to reserves must be met by outside banks, but cash held in their vaults is earning nothing. Since a part of the reserve may be transferred to approved agents in reserve cities where it will receive 2 per cent, the natural thing is for the out-of-town banks thus to deposit it. The change in the direction of the fall movement seems to be explained by the increasing tendency on the part of these out-of-town banks to lend their money directly on the New York market. It is currently reported that high money rates in 1905 and 1906 led the banks to begin the practice. Their New York reserve agents hesitated to perform the service but were forced into it by the trust companies who offered to do it free of charge if the national banks would not.

The statistics prepared for the Congressional committee investigating the alleged "Money Trust" show an increase in the practice as follows:¹

LOANS BY SUNDRY NEW YORK FINANCIAL INSTITUTIONS FOR THEIR
CORRESPONDENTS

	January	July	November
1908.....	\$106,621,000	\$ 89,248,000	\$ 85,011,000
1909.....	103,524,000	121,648,000	168,557,000
1910.....	208,260,000	160,185,000	125,201,000
1911.....	143,876,000	128,804,000	148,820,000
1912.....	140,901,000	141,028,000	240,480,000

The tables prepared for the committee show a slight increase in the amount loaned on stock-exchange collateral by the New York banks for themselves, but a very much larger increase in the amount loaned by them for their correspondents. They also show that although these correspondents are lending more at all times of the year than formerly, the amount so loaned in the fall has grown much more rapidly than the amount at other seasons. On November 1, 1912, the total was nearly three times that on November 1, 1908.

¹ *Money Trust Investigation*, p. 1193. The loans as given are those "outstanding on or about January 1, July 1, and November 1 in each of the years 1908 to 1912, inclusive."

The opportunity to lend these large sums at the high rates current each fall for demand loans goes far to explain the reason why there is now a movement of cash into, rather than out of, New York during the fall months. The out-of-town banks no longer content themselves with the 2 per cent allowed them by their reserve agents. If they have any surplus funds over and above their required reserves, a direct loan will yield perhaps 4, 6, or 8 per cent, or even more. The inducement to use funds in this manner is very strong. Money so used does not, of course, count as a part of reserves as it would if left on deposit with the reserve agent, but any excess above the amount needed for reserve purposes may be thus loaned. The lending bank may and in some cases does pass upon the collateral given as security, but often, especially if the lending bank is small, all is left to the discretion of the New York agent, and the out-of-town bank is merely sent later, for approval, a list of the securities held. Thus any surplus above reserve requirements may be employed to advantage and anything that may be spared from local needs may also be sent on for a similar use. When the out-of-town bank finds it necessary to build up its reserves these loans may be called, the New York bank still acting as agent in the transaction. The money thus secured may be left on deposit in New York and counted as a part of reserves or, if necessary, the cash may be withdrawn from the city.

There is another change that aids in explaining the lessened autumnal demand on New York. Checks are being used to an increasing extent in rural communities. Just how much of a change has occurred it is impossible to determine, but numerous inquiries addressed to western bankers have found them agreed that there is a constantly decreasing demand for cash for local needs. Farmers and merchants ask for less actual money and prefer accounts against which checks may be drawn. Even if this practice should greatly increase, the demand for cash would not be entirely eliminated but merely lessened. It would still be necessary to withdraw cash from New York and other centers to build up local reserves, but the amount needed would not be nearly so great as before.

That the continual flow of money into New York does not result in a large accumulation of cash in that city is explained by the losses

to the Subtreasury and through gold exports. An examination of Table II (in which the net interior movement is given in columns I and II, the Subtreasury and import and export movement in columns III and IV, with a combination of both in columns V and VI) shows that the net result is no great gain in cash for the New York banks for the entire year, and only a relatively slight loss during the fall months.

TABLE II

NET CASH MOVEMENTS INTO (+) AND OUT OF (−) NEW YORK CITY CLEARING-HOUSE BANKS (000 OMITTED)

YEAR	INTERIOR MOVEMENT		SUBTREASURY AND GOLD IMPORTS AND EXPORTS		TOTAL NET MOVEMENT	
	I Aug.-Dec.	II Entire Year	III Aug.-Dec.	IV Entire Year	V Aug.-Dec.	VI Entire Year
1899.....	\$− 23,616	\$+ 37,116	\$− 18,715	\$− 58,859	\$− 42,331	\$− 21,743
1900.....	− 26,595	+ 52,563	− 117	− 21,732	− 26,712	+ 30,831
1901.....	− 13,291	+ 77,569	− 18,050	− 66,422	− 31,341	+ 11,147
1902.....	− 10,393	+ 50,067	− 23,144	− 54,675	− 33,537	− 4,608
1903.....	− 15,675	+ 87,954	+ 251	− 55,242	− 15,424	+ 32,712
1904.....	+ 2,458	+ 134,940	− 45,258	− 56,608	− 42,800	+ 78,332
1905.....	− 26,396	+ 71,862	− 30,395	− 105,019	− 56,791	+ 33,157
1906.....	− 43,772	− 36,143	+ 11,337	+ 75,621	− 32,435	+ 39,478
1907.....	− 144,138	− 92,255	+ 134,211	+ 135,765	− 9,927	+ 43,510
1908.....	+ 35,300	+ 264,100	− 35,757	− 48,653	− 457	+ 215,447
1909.....	+ 28,056	+ 223,553	− 71,735	− 147,297	− 43,679	+ 76,256
1910.....	+ 31,077	+ 213,591	− 50,368	− 122,666	− 19,291	+ 90,925
1911.....	+ 103,800	+ 302,377	− 103,858	− 193,364	+ 32	+ 109,013
1912.....	+ 67,711	+ 325,158	− 103,616	− 277,666	− 35,905	+ 47,492

The interesting change has come since 1907. Since that date each autumn shows a Subtreasury and export loss greater than in any year up to 1907, except that the loss of \$45,258,000 in 1904 exceeded that of \$35,757,000 in 1908. For the entire year a similar change has been taking place. A combination of these two movements in columns V and VI shows no change of any significance. New York has been the gainer in eleven of the fourteen years, although a loser in the fall months during every year but one. The total net movement shows no important change except in 1908.

All the facts thus far presented lead to no conclusion relative to a change in New York's position except that there has not been for several years past a net loss to New York for crop-moving purposes.

Instead, New York gains from the interior during this period, but has lost through the Subtreasury and gold exports an amount sufficient to offset these gains.

Professor A. P. Andrew, in a letter appearing in the *New York Evening Post* of January 8, 1913, contends that New York lends large sums to the interior each autumn and that if these "loans to correspondents" were included "it would doubtless be evident that any apparent increase in the net balance of out-of-town money in New York about November 1 of the present year was more than offset by an increase in loans made by the New York banks to their

TABLE III

AMOUNT AND NATURE OF RESERVE HELD BY NATIONAL BANKS ON OR ABOUT OCTOBER 1 OF EACH YEAR (00,000 OMITTED)

YEAR	RESERVE CITIES (EXCEPT CENTRAL RESERVE CITIES)		LOCALITIES OTHER THAN RESERVE CITIES		ENTIRE UNITED STATES	
	Lawful Money	Due from Re- serve Agents	Lawful Money	Due from Re- serve Agents	Lawful Money	Due from Re- serve Agents
1902.....	\$128,2	\$129,8	\$144,9	\$150,7	\$523,8	\$280,5
1903.....	139,2	122,1	162,6	155,8	572,9	277,9
1904.....	152,0	141,4	164,0	163,8	681,9	305,2
1905.....	166,1	156,6	178,7	181,9	688,9	338,4
1906.....	172,0	164,0	193,7	204,7	651,6	368,6
1907.....	196,6	165,7	216,8	226,7	729,0	392,4
1908.....	227,0	188,9	235,0	220,1	899,1	409,0
1909.....	232,9	207,9	240,4	241,5	886,6	449,5
1910.....	229,4	204,6	251,0	258,3	884,8	462,9
1911.....	246,6	224,4	256,6	273,8	929,8	498,2
1912.....	251,7	236,8	271,6	299,9	931,0	536,7

correspondents." However, he introduces no facts in support of this contention and it is difficult to see why the New York banks would send money out of the city in large quantities when interest rates are such as to bring such large sums into the city.

That New York holds relatively less cash than formerly is another change of importance. This is shown by Table III, which has been compiled from the reports of the Comptroller of the Currency, beginning with 1902, rather than with 1899 as do the previous tables, because a change at that date in the method of presenting the facts makes accurate comparisons with earlier years impossible. The table gives the reserve in millions of dollars held by the national

banks of the reserve cities, of localities other than reserve cities, and of the entire United States, respectively. The figures have been taken in every case from the report nearest to October 1. The reserve is given in its two parts: (1) lawful money held (including redemption fund at Washington), and (2) the amount with reserve agents. Table IV shows the amount in cash as compared with the amount with reserve agents in percentage form.

There has been no change of importance during the period in the practice of the banks as to the percentage of reserve held with reserve agents. The amount of cash held as compared with the

TABLE IV

PERCENTAGE OF LAWFUL MONEY AND OF DEPOSITS WITH RESERVE AGENTS IN THE RESERVES OF NATIONAL BANKS ON OR ABOUT OCTOBER 1 OF EACH YEAR

YEAR	RESERVE CITIES (EXCEPT CENTRAL RESERVE CITIES)		LOCALITIES OTHER THAN RESERVE CITIES		ENTIRE UNITED STATES	
	Lawful Money (Percentage)	With Reserve Agent (Percentage)	Lawful Money (Percentage)	With Reserve Agent (Percentage)	Lawful Money (Percentage)	With Reserve Agent (Percentage)
1902.....	49.6	50.3	49.0	50.9	65.1	34.8
1903.....	53.2	46.7	51.0	48.9	67.3	32.6
1904.....	51.8	48.1	50.0	49.9	69.0	30.9
1905.....	51.4	48.5	49.5	50.4	67.0	32.9
1906.....	51.1	48.8	48.6	51.3	63.8	36.1
1907.....	54.2	45.7	48.8	51.1	65.0	34.9
1908.....	54.5	45.4	51.6	48.3	68.7	31.2
1909.....	52.8	47.1	49.8	50.1	66.3	33.6
1910.....	52.8	47.1	49.2	50.7	65.6	34.3
1911.....	52.3	47.6	48.3	51.6	65.1	34.8
1912.....	51.5	48.4	47.5	52.4	63.4	36.5

amount of deposits with reserve agents is about the same in the later years as in the earlier. Such changes as have occurred since 1908 have been in the direction of a larger rather than a smaller percentage with reserve agents. Thus for the country as a whole this proportion has increased from 31 per cent to 36 per cent, for the country banks from 48 per cent to 52 per cent, and for the reserve city banks from 45 per cent to 48 per cent. In each case this is a return to conditions prior to 1907. Apparently the banks for a time hesitated to intrust a large proportion of their reserves to banks in other cities, but this hesitation has gradually disappeared until now

conditions similar to those which preceded the panic have returned. The national banks are still taking advantage of their legal right to leave a part of their reserves with approved reserve agents. They are not hoarding their cash in their own vaults.

But the New York national banks hold relatively less of this amount than formerly. Table V presents the same figures in a different manner. In this table the amounts of cash reserve held by the banks in 1902 are viewed as 100 and the amounts at later dates calculated as percentages of them. The results show that while the

TABLE V

LAWFUL MONEY RESERVE (INCLUDING REDEMPTION FUND) HELD BY NATIONAL BANKS ON OR ABOUT OCTOBER 1 OF EACH YEAR (00,000 OMITTED)

YEAR	NEW YORK		CHICAGO		ST. LOUIS		OTHER RESERVE CITIES		LOCALITIES OTHER THAN RESERVE CITIES		ENTIRE UNITED STATES	
	Amount	Percentage of 1902 Reserve	Amount	Percentage of 1902 Reserve	Amount	Percentage of 1902 Reserve	Amount	Percentage of 1902 Reserve	Amount	Percentage of 1902 Reserve	Amount	Percentage of 1902 Reserve
1902..	\$186,1	100	\$45,9	100	\$18,7	100	\$128,2	100	\$144,9	100	\$523,8	100
1903..	205,3	110	47,3	103	18,5	98	139,2	108	162,6	112	572,9	109
1904..	289,9	155	54,1	117	21,7	116	152,0	118	164,0	113	681,9	130
1905..	256,0	137	60,9	132	27,1	144	166,1	129	178,7	123	688,9	131
1906..	201,5	108	60,0	130	24,2	129	172,0	134	193,7	133	651,6	124
1907..	221,3	118	66,6	145	27,6	147	196,6	153	216,8	149	729,0	139
1908..	340,1	182	70,3	153	26,6	142	227,0	177	235,0	162	899,1	171
1909..	304,6	163	77,4	168	31,3	167	232,9	181	240,4	165	886,6	169
1910..	294,0	157	82,9	180	27,3	146	229,4	178	251,0	173	884,8	168
1911..	305,8	164	89,7	195	30,8	164	246,6	192	256,6	177	929,8	177
1912..	288,5	155	89,7	195	29,4	157	251,7	196	271,6	187	931,0	177

lawful money reserve held by the national banks of the entire country increased from 1902 to 1912 by 77 per cent, the amount held by the New York banks increased only 55 per cent. St. Louis increased 57 per cent, while Chicago increased 95 per cent or nearly doubled. The other reserve cities as a group gained 96 per cent, while the country banks increased 87 per cent. New York gained a little less than St. Louis, much less than Chicago, and also much less than the other banks of the country.

The same general situation may be made clear in another way. It has been shown above that the banks of the country are redeposit-

ing their reserves as much as ever. The New York banks, however, are receiving a much smaller part of these deposits than in earlier years. The facts given in Table VI are the ones that show the change. These also are taken from the reports of the Comptroller of the Currency, the report selected for each year being the one nearest October 1, as in the three preceding tables. The first column gives the amount "Due from Reserve Agents" for the entire United States. As there is no such item for central reserve cities, New York City is in no way included. Column IV, "Due to National Banks," gives

TABLE VI
AMOUNTS DUE FROM NATIONAL BANKS (00,000 OMITTED)

Year	I Due from Reserve Agents (all National Banks)	II Due from National Banks Not Reserve Agents (all National Banks except New York)	III Total Due (Columns I and II Combined)	IV Due to National Banks (New York City only)	V Percentage Ratio of Column IV to Column I	VI Percentage Ratio of Column IV to Column III	VII Difference between Column IV and Column III	VIII Percentage Ratio of Column VII to Column III
1899...	\$414,1	\$184,2	\$598,3	\$252,7	61	42	\$345,6	58
1900...	450,7	187,4	638,1	260,0	57	40	378,1	60
1901...	456,6	208,8	665,4	252,3	55	37	413,1	63
1902...	465,6	218,9	684,5	248,3	53	36	436,2	64
1903...	454,9	221,0	675,9	230,5	50	34	445,4	66
1904...	562,6	256,4	819,0	311,4	55	38	507,6	62
1905...	605,4	277,4	882,8	303,1	50	34	579,7	66
1906...	616,1	288,5	904,6	297,5	48	32	607,1	68
1907...	614,4	289,0	903,4	259,2	42	28	644,2	72
1908...	711,9	326,0	1,037,9	359,0	50	34	678,9	66
1909...	719,3	335,9	1,055,2	331,3	46	31	723,9	69
1910...	688,7	329,0	1,017,7	315,0	45	30	702,7	70
1911...	744,6	350,1	1,094,7	332,0	44	30	762,7	70
1912...	812,1	407,2	1,219,3	345,0	42	28	874,3	72

for New York City the item that indicates (not exactly but in a general way) the amount held by the New York banks as reserve agents for the banks in the interior. The growth in the amount left with reserve agents (column I) has been rapid, and, with the exception of 1903, 1907, and 1910, it has been steady. The amount held in New York (column IV) has also grown but with much less rapidity. A high point was reached in 1904, followed by a decline to \$259,200,000 in 1907. In 1908 came a large increase soon followed by a drop to \$315,000,000 in 1910. In 1912 the amount was only \$345,000,000, much less than in 1908. The changes are best shown

in column V, which states the facts in percentage form. In 1899 New York owed the national banks of the country an amount equal to 61 per cent of the total amount due the national banks from reserve agents. This declined to 50 per cent in 1903, increased to 55 per cent in 1904, fell to 42 per cent in 1907, rose to 50 per cent in 1908, and has steadily declined ever since, until it was 42 per cent in 1912. A comparison with Table V shows a marked correspondence in the fluctuations in the amount of lawful money held by the New York banks and the amount due from them to other banks. New York banks held no more lawful money reserve in 1912 than in 1904 and owed only a little more to national banks. New York's cash holdings declined in 1906 and 1907 and increased in 1908. The same changes are shown in Table VI in the amount due to national banks. Since 1908 both items have declined. It is also to be observed that the decline in the percentages given in column V of Table VI has been almost constant.

Lest this should not seem to be an entirely fair statement of the case another item has been inserted in Table VI. Column II gives for all the national banks of the country (excluding New York) the item "Due from National Banks—Not Reserve Agents." This includes many exchange items which are purely temporary, but also includes many more permanent accounts. Column III combines columns I and II, while column VI compares this total with New York's item "Due to National Banks" in column IV. The same fluctuations and the same general decline are to be noticed. The 42 per cent of 1899 becomes 28 per cent in 1912, a drop of 14 per cent. Put in another way, the rest of the country has gained 14 per cent. Column VII gives the difference between columns IV and III, or, approximately, the amount held by the rest of the country.¹

Nor have the total resources of the national banks of New York increased so rapidly as those in other parts of the country. This fact has been presented with great clearness and force by Professor A. P. Andrew,² and need only be summarized briefly here. Table

¹ Throughout the discussion of Tables V and VI, sight must not be lost of the duplications due to the practice of banks in Chicago and St. Louis sending their surplus funds to New York.

² See *New York Evening Post*, December 7 and 14, 1912, and January 8, 1913. These articles are reprinted in Senate Document 1003, 62d Congress, 3d session.

VII presents the percentage changes in number, capital, and resources of the United States national banks from June, 1900, to June, 1912, as given by him. It is evident that the banking strength of the South and West has been growing more rapidly than that of the East.

There remains for discussion the question of the present distribution of banking reserves. It seems clear that the country is less dependent on New York for cash than in former years; that a relatively smaller amount of cash and of "Due from Reserve Agents" is held by the New York banks than in former years; and that the total banking resources of New York have grown less rapidly than those of other parts of the country.

TABLE VII

PERCENTAGE CHANGES IN NUMBER, CAPITAL, AND TOTAL RESOURCES OF ALL REPORTING BANKS FROM JUNE, 1900, TO JUNE, 1912, BY GROUPS OF STATES

GROUPS OF STATES	PERCENTAGE CHANGE		
	Number of Banks	Capital	Total Resources
New England.....	-2.2	-8.8	61.6
Eastern States.....	62.7	71.0	103.6
Southern States.....	275.3	191.3	259.9
Middle Western States.....	124.6	108.4	175.1
Western States.....	203.5	174.4	227.2
Pacific States.....	252.8	192.7	240.8

Have other centers been developing? If so, the fact would be evidenced in each case by growth in total banking resources, in cash held, in "Due to Other Banks" and in the cash movements into and out of such centers. The last of these points would show the extent to which the autumnal strain has been shifted from New York to these other centers, but unfortunately no reliable statistics are available. Such as have been gathered are admittedly incomplete, and are for such a short period as to make satisfactory comparisons impossible.

Information on the other points is, however, more easily secured. Table VIII shows the growth in total resources, specie and legal

TABLE VIII
GROWTH IN STRENGTH OF THE NATIONAL BANKS OF CERTAIN CITIES FROM 1899 TO 1912 (000 OMITTED)

CITIES	TOTAL RESOURCES			SPECIE AND LEGAL TENDERS			DUE TO NATIONAL BANKS		
	1899	1912	Percentage Increase	1899	1912	Percentage Increase	1899	1912	Percentage Increase
New York City.....	\$85,682	\$1,702,727	78	\$171,834	\$286,157	66	\$252,785	\$345,018	36
San Francisco.....	34,138	240,847	605	6,585	16,628	152	1,609	22,215	1238
Washington, D.C.....	24,750	50,484	103	2,911	3,161	8	363	2,822	682
Chicago.....	241,467	571,760	136	37,127	88,972	139	67,797	164,436	142
Indianapolis.....	23,686	62,872	165	2,703	4,607	70	4,094	8,845	116
Des Moines.....	8,217	23,717	188	545	1,896	247	1,630	4,931	202
New Orleans.....	44,598	46,652	89	2,089	2,742	31	1,542	4,043	162
Baltimore.....	71,340	114,007	59	4,557	5,759	26	10,286	17,378	60
Boston.....	302,910	357,580	18	24,029	29,354	19	51,808	37,744	26*
Detroit.....	29,105	65,094	123	2,458	6,803	176	2,951	5,514	86
Minneapolis.....	23,288	95,324	309	1,928	7,611	204	3,477	15,323	340
St. Paul.....	24,547	52,961	115	2,712	4,364	60	2,723	8,756	221
Kansas City.....	44,959	121,551	170	3,281	7,824	138	11,711	30,974	164
St. Joseph.....	5,761	19,623	240	503	1,436	185	1,021	3,612	253
St. Louis.....	90,575	213,752	135	10,814	28,023	164	20,334	58,364	187
Omaha.....	28,481	61,548	116	2,349	5,193	121	6,375	12,255	92
Albany.....	19,940	62,192	211	1,565	4,644	196	6,771	23,576	248
Portland, Ore.....	10,354	39,941	285	1,086	4,436	308	1,300	4,669	259
Philadelphia.....	234,593	440,526	87	19,204	35,933	87	49,562	80,285	161
Pittsburgh.....	111,876	295,086	163	9,875	23,089	133	15,391	47,241	206
Houston.....	6,322	48,939	674	1,475	3,250	120	514	8,204	1496
Milwaukee.....	37,039	73,315	97	3,689	5,662	53	4,975	6,143	23
1906									
Galveston†.....	3,392	7,940	134	293	923	215	831	1,256	50
Salt Lake City†.....	14,429	22,113	53	1,344	2,133	58	1,440	2,361	63
Seattle†.....	28,973	50,049	72	2,685	4,456	65	1,885	3,443	82

* Decrease.

† The reports of the Comptroller of the Currency do not give data for these three in 1899 as they became reserve cities at a later date.

tenders,¹ and "Due to National Banks" for the leading reserve centers of the country from 1899 to 1912. In this table the cities, except New York, are arranged in the alphabetical order of the states in which they are situated. New York City has gained in the three specified items 78 per cent, 66 per cent, and 36 per cent respectively. Compared with these gains, those of Chicago were 136 per cent, 139 per cent, and 142 per cent, and those of St. Louis were 135 per cent, 164 per cent, and 187 per cent.

A fair comparison must take into account both the rate of growth and the present actual amounts. Such a comparison reveals the gradual development of a number of financial centers in the interior. Whether in each of these cases the growth will continue is by no means certain, but the growth of the past is not open to question.

In Table IX are grouped by sections sixteen cities whose geographical location, recent growth, and present strength are indicative of their influence. In New England, Boston is the only city which can be looked to as leader. Although her amount of "Due to Other Banks" has declined by 26 per cent during the period, it is still large, and the amount of cash held and of total resources have increased. Aside from the need for a center at some point in New England it is probable that the Boston practice of collecting out-of-town items through the clearing-house has been, and will be, a very important factor.

In the Eastern States New York City is, of course, leader, with Philadelphia second. The size of Philadelphia and its prominence as a manufacturing center account in part for its financial importance, but some of its growth, as well as that of Albany, may be attributed to the New York practice of charging exchange on out-of-town items. The New York clearing-house banks divide the country into three sections. Localities in the first section are discretionary points on items from which exchange may or may not be charged. All items from a second section farther distant must, according to the rules, be charged at least one-tenth of 1 per cent, while items from more distant points must be charged at least one-

¹ The item "Specie and Legal Tenders" is not the same as "Lawful Money Reserve" used in Table V and so slight differences appear. Also in Table V the first year given is 1902, while in Table VIII it is 1899.

TABLE IX
GROWTH IN STRENGTH OF THE NATIONAL BANKS IN LEADING CITIES OF CERTAIN SECTIONS OF THE UNITED STATES (000 OMITTED)

CITIES	TOTAL RESOURCES			SPECIE AND LEGAL TENDERS			DUE TO NATIONAL BANKS		
	1899	1912	Percentage Increase	1899	1912	Percentage Increase	1899	1912	Percentage Increase
<i>New England—</i>									
Boston.....	\$302,910	\$ 357,580	18	\$ 24,629	\$ 29,354	19	\$51,808	\$ 37,744	26*
<i>Eastern States—</i>									
New York City.....	985,682	1,762,727	78	171,834	286,157	66	252,785	345,018	36
Albany.....	19,940	63,192	211	1,565	4,044	196	6,771	23,576	248
Philadelphia.....	234,593	440,526	87	19,204	35,933	87	49,502	80,285	161
Pittsburgh.....	111,876	295,086	163	9,875	23,089	133	15,391	47,241	206
Baltimore.....	71,340	114,007	59	4,557	5,759	26	10,286	17,378	60
<i>Southern States</i>									
New Orleans.....	24,598	46,652	89	2,089	2,742	31	1,542	4,043	162
Houston.....	6,322	48,939	674	1,475	3,250	120	514	8,204	1496
Galveston†.....	3,392	7,940	134	293	923	215	831	1,256	50
<i>Middle States—</i>									
Chicago.....	241,467	571,760	136	37,127	88,972	139	67,797	164,436	142
Minneapolis.....	23,288	95,324	309	1,928	7,011	294	3,477	15,323	340
St. Louis.....	90,575	213,752	135	10,814	28,623	164	20,334	58,364	187
Kansas City.....	44,959	121,551	170	3,281	7,824	138	11,711	30,974	164
<i>Pacific States—</i>									
Seattle†.....	28,973	50,049	72	2,685	4,456	65	1,885	3,443	82
San Francisco.....	34,136	240,847	605	6,585	10,628	152	1,659	22,215	1238
Salt Lake City†.....	14,429	22,113	53	1,344	2,133	58	1,440	2,361	63

* Decrease.

† Comparisons are for 1906 and 1912.

fourth of 1 per cent. The effect of this is that many banks in near-by cities, e.g., Trenton, send to Philadelphia for collection large sums that might otherwise go to New York, because the Philadelphia banks have no such agreement and take all items at par. The only loss incurred by collecting through Philadelphia is due to the fact that in the latter city the banks have agreed to defer interest payment for three, five, or seven days, on amounts deposited, the length of time being determined by a grouping similar to that of New York in charging exchange. This deferring of interest in Philadelphia has been in effect only since September 1, 1911. Recently New York has attempted to offset some of the losses sustained through her exchange charge by extending the number of discretionary points to include other cities, provided the banks in those cities will meet certain requirements as to prompt remittance. It is too early to forecast the effect of this change. Albany has undoubtedly been a gainer, for the reasons which have favored Philadelphia, but her nearness to New York will probably make it difficult, if not impossible, for her to maintain her position. The growth of Pittsburgh has been remarkably rapid and that of Baltimore also deserves attention.

None of the cities in the South are as yet large enough for comparison with those of the East and Middle West, but New Orleans has been gaining rapidly and Houston and Galveston are growing. Houston now surpasses New Orleans in all three items given and shows a remarkable percentage increase. It seems probable that the use of the Panama Canal may send enough traffic through these southern ports to aid their growth very materially.

In the Middle States there are several cities, e.g., Cincinnati and Indianapolis, which are larger than some of those mentioned in the South and West, but they are surpassed by the ones selected for the table. Chicago, Minneapolis, St. Louis, and Kansas City have geographical advantages and such prestige that their future seems beyond question.

In the inter-mountain region, Salt Lake City is still relatively small but will probably maintain her position of leadership as the country develops. San Francisco has an undoubted advantage in position and has been growing with remarkable rapidity. Seattle

at the north will develop with the further growth of the Northwest and with the increasing business of the railroads with termini at Puget Sound.

There is nothing in the facts presented in this paper to indicate that New York is in the least danger of losing her position as the financial leader of the United States. There is ample evidence, however, that her growth is less rapid than that of other sections of the country and that other cities are now relatively of more importance than in the past. More capital is being invested in banking, more cash is being held, and more deposits of other banks are being collected. These deposits are largely being sent on to centers like New York and Chicago, but increasing amounts are being held in the West. Though there may still be an autumnal demand for New York cash, this demand is now meeting with little response.

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